

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: School Superintendents and Business Officials
FROM: Courtney Schaafsma, Director, Budget Division *CLS*
RE: 2012 School Transportation and Bus Replacement Funds
DATE: July 1, 2011

The following information should be used for 2012 budget purposes.

School Transportation and Bus Replacement Funds

Indiana Code 20-40-6 and 20-40-7 outline the purposes of a school transportation fund and bus replacement fund. All school corporations are required to have a transportation fund and bus replacement fund. The Department of Local Government Finance ("Department") uses fund number **6301** for Transportation and fund number **6302** for Bus Replacement. A school corporation adopts appropriations, rates and levies for each of these two funds and advertises each fund separately on the notice to taxpayers on Budget Form 3. The Department annually certifies the maximum levy for the transportation fund. Additionally, **as a result of recent legislation, the Department will certify a Bus Replacement maximum levy for all school corporations for budget year 2012.** A separate, follow-up memorandum will detail the establishment of the bus replacement maximum levy.

The Transportation Fund (6301) may be used for:

- 1) The salaries paid bus drivers, transportation supervisors, mechanics, garage employees, clerks, and other transportation related employees.
- 2) Contracted transportation service, other than costs payable from the school bus replacement fund.
- 3) Wages of independent contractors.
- 4) Contracts with common carriers.
- 5) Pupil fares.
- 6) Transportation-related insurance.

- 7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses.

The Bus Replacement Fund (6302) may be used for:

- 1) Amounts paid for the replacement of school buses, either through a purchase agreement or under a lease agreement.
- 2) The costs of contracted transportation service payable from the school bus replacement fund.

It is important to note that school buses **may not** be purchased from the transportation fund or the general fund. Likewise, the vehicles purchased from the bus replacement fund must be used in the transportation of students.

Transportation Fund Maximum Levy Limit

The Department calculates the Transportation Fund Maximum Levy Limit. This fund is under the same levy controls as civil units of government. This formula allows for maximum annual growth of six percent (6%) unless the average growth quotient is lower. (For 2012, the average growth quotient is 2.9%.) Maximum levy limits use the previous year's maximum levy limit as a starting point less temporary appeals and other temporary adjustments. Schools that do not elect to charge the maximum levy limit in any particular year to support their transportation budget will NOT lose that levy capacity in a subsequent year.

Shifting Portions of Contracted Bus Service to the Bus Replacement Account (Plan) IC 20-40-7-7

Before the last Thursday in August in the year preceding the first school year in which a proposed contract commences, the governing body of a school corporation may elect to designate a portion of a transportation contract, fleet contract or common carrier contract as an expenditure payable from the bus replacement fund. The election must be part of a Bus Replacement Plan approved by the Department. The amount payable from the bus replacement fund is equal to the fair market lease value in the school year of each bus, school bus chassis or school bus body under the contract, as substantiated by invoices, depreciation schedules and any other information available to the school corporation. The allocation costs must comply with allocation guidelines adopted by the Department and accounting standards approved by the State Board of Accounts. This election no longer requires the Department to adjust the maximum property tax levy limit for the transportation fund.

Transportation Fund Excessive Levy Appeal

Under certain circumstances a school corporation may appeal for a permanent tax increase to the transportation fund maximum levy. The forms for this appeal are included in the memorandum on school excessive levy appeals.

Transportation appeals, like all other appeals by schools for relief from the levy limitations, must be filed with the Department's Indianapolis office **on or before October 19.**

For relief to be granted, the school corporation must advertise and adopt a sufficient levy to include: 1) the transportation maximum levy limit, and 2) the amount of the excessive levy appeal. The Department cannot approve levies greater than those advertised and adopted by a political subdivision for this purpose. The appeal will be forwarded to the Commissioner of the Department for a determination.

Restriction on Paying Salaries from the Transportation Fund

The following language restricts personnel expenses in the Transportation Fund:

“Percentages or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the school transportation fund.” IC 20-40-6-6(c).

As listed in the basic purpose of the transportation fund, it is permissible to pay a school employee's earnings and related benefits from the school transportation fund if his entire workday is spent on school transportation. Therefore, transportation directors or support staff working 100% of the time on transportation can be paid from the transportation fund.

School personnel that may have portions of their salaries payable from the transportation fund are instructional aides assigned to assist with a school transportation program.

Even partial salaries of teachers and principals are expressly prohibited from the transportation fund. Questions on the extent to which other building personnel such as assistant principals, counselors, and school secretaries may have portions of their salary paid from the transportation fund should be referred to the State Board of Accounts to avoid improper expenditures and red flags during an audit.

Bus Replacement Fund Levy

Beginning in budget year 2012, a maximum levy will be calculated and certified by the Department for all bus replacement funds. It is a separate levy advertised and set apart for the bus replacement fund each year by a school corporation.

A school corporation must adopt a plan according to the bus replacement plan advertised. A formal Notice to Taxpayers, resolution and plan outline was provided in a separate memorandum that included all information required in the plan except supplementary justification for additional buses or replacement of buses sooner than 12 years. The Notice to Taxpayers must be

supported by a detailed Bus Replacement Plan adopted by the School Board of Trustees and on file for inspection.

A spreadsheet format is acceptable and encouraged for the school bus replacement plan. Each year estimates of replacement costs must be shown for the next twelve (12) years. Replacement costs will be shown as lump sum amounts in the year that the replacement is anticipated and the corporation needs revenues available. Appropriations for replacement and additional buses will be totaled on Form 1 and Form 4 and advertised on Column 2 – Budget Estimate of Form 3.

Payments for buses currently under a lease purchase can be built into the plan, as long as the school will have ownership at the end of the lease. Lease payments will be a part of current expenditures.

Monies can be accumulated in advance of bus purchase for up to five years. Amounts accumulated for future purchases will be included in the plan but not appropriated. Accumulations will be subtotaled and shown in Line 11 (operating balance) of the Bus Replacement Fund.

Bus Replacement Plans, as adopted, a signed bus replacement resolution and all legal notices must be mailed along with other budget paperwork to your Department field representative. Review by the Department will occur at the time the Department calculates your levy and rate and reviews your budgets.

Adopting and/or Amending the Bus Replacement Plan

IC 20-46-5-6 (Sec. 3.1) reads:

(a) Before a governing body may collect property taxes for the school transportation fund's school bus replacement account in a particular year, the governing body must, after January 1 and not later than November 1 of the immediately preceding year:

- (1) Conduct a public hearing on; and*
- (2) Pass a resolution to adopt a plan under this section.*

(b) The Department shall prescribe the format of the plan. A plan must apply to at least the twelve (12) years immediately following the year the plan is adopted. A plan must at least include the following:

- (1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's school bus replacement fund.*
- (2) A presumption that the minimum useful life of a school bus is not less than twelve (12) years.*
- (3) An identification of:*
 - (A) The source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and*

(B) The amount of property taxes to be collected in that year and the unexpended balance to be retained in the fund for expenditures proposed for a later year.

(4) If the school corporation is seeking to acquire additional school buses as compared to the number of school buses from the prior school year, evidence of a demand for increased transportation services within the school corporation.

(5) If the school corporation is seeking to replace an existing school bus earlier than twelve (12) years after the existing school bus was originally acquired, evidence that the need exists for the replacement of the school bus.

(6) Evidence that the school corporation that seeks to acquire additional school buses under this section is acquiring the school buses for replacement purposes only.

According to IC 20-46-5-9, after reviewing the plan, the Department shall certify its approval, disapproval, or modification of the plan to the governing body and the auditor of the county. The action of the Department is final. The Department may approve appropriations from the school bus replacement fund only if the appropriations conform to a plan that has been adopted in compliance with this section.

According to IC 20-46-5-10, a governing body may amend a plan adopted under this section. When an amendment to a plan is required, the governing body must declare the nature of and the need for the amendment and must show cause as to why the original plan no longer meets the transportation needs of the school corporation. The governing body must then conduct a public hearing on and pass a resolution to adopt the amendment to the plan. The plan, as proposed to be amended, must comply with the requirements for a plan under subsection (b). This amendment to the plan is not subject to the deadline for adoption described in subsection (a). However, the amendment to the plan must be submitted to the Department for consideration and is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan set forth in this section.

Finally, IC 20-46-5-11 states, if a public hearing is scheduled under this section, the governing body shall publish a notice of the public hearing and the proposed plan or amendment to the plan in accordance with IC 5-3-1-2(b) (one time in two newspapers ten days prior to the hearing).

Direct questions to the Indianapolis office at 317.232.3777 or a Department field representative. Please see www.in.gov/dlgf/2338.htm#BudgetFld for a contact list of representatives.